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February 18, 2014

VIA ECFS
Marlene H. Dortch
Secretary
Federal Communications Commission
445 12TH Street, SW
Washington, DC 20554

RE: Notice of Ex Parte Communication
MB Docket Nos. 09-182, 07-294, 10-71

Dear Madam Secretary,

On February 14, 2014, I accompanied Jay Howell (Vice President – Television) and Joshua Pila (Senior Counsel) of LIN Television Corporation d/b/a LIN Media ("LIN") on a teleconference with Adonis Hoffman, Chief of Staff to Commissioner Clyburn, to express LIN's concerns about proposals to attribute television stations that receive services under joint sales agreements ("JSAs") for purposes of the FCC's broadcast ownership limits.[1] We explained why a requirement to unwind existing JSAs would be a radical change that would harm all stakeholders, including consumers, employees and businesses, and we described how LIN's sharing arrangements serve the public interest. We provided the attached presentation and discussed the points below.

We explained that critics mischaracterize sharing arrangements (including JSAs and shared services agreements ("SSAs")) when asserting those agreements are somehow covert. LIN values transparency, and all of LIN's JSAs were passed upon as part of long-form transaction applications. Those agreements were designed to comply with the Commission's ownership rules, preserving diversity while providing efficiencies that are necessary in the hyper-competitive media market that includes multichannel video programming distributors ("MVPDs"), local interconnects, and new media.

We also explained that sharing arrangements affect real people. For example, employee benefits are more expensive (and less generous) for smaller organizations than for

[1] *See* 47 CFR § 73.3555.

larger organizations with scale. Larger companies are also able to offer training, consultants, and access to expensive research. Unwinding the JSAs to which LIN is a party would cause money to leave the media ecosystem to insurance costs and other administrative costs, which would not benefit the public interest.

We noted that LIN's JSAs are in markets ranked 64 or smaller. Efficiencies are enormously important in these smaller local markets, which have at best only enough local television revenue to support two to three viable newsrooms. To provide some perspective, these are not multibillion dollar operations. The sales team for WJCL, which provides sales services to WTGS in Savannah, GA, for example, consists of 12 account executives.

We explained that JSAs are simply an economic response to increased competition in the media marketplace. For example, large and small MVPDs have joined together, on a market by market basis, to sell local television advertising through their own joint sales operations (called "local interconnects") in direct competition with local television stations. We explained that the local MVPD interconnects leverage the national scale of the largest MVPDs and have access to the very best and most expensive sales training and tools.

Joint selling by competing MVPDs to take advertising revenue from local broadcasters is only intensifying. We noted that MVPD giants DISH and DirecTV– the second and third largest MVPDs– recently announced they will jointly sell political advertising.[2]

We explained that MVPD joint sales operations compete directly with local broadcasters for a finite pool of local revenue. Unlike local broadcasters, MVPDs typically do not reinvest *any* of their local advertising revenue in local programming. This illustrates just one reason why arguments that broadcast sharing arrangements fundamentally undermine localism are superficial and wrong. If the Commission wishes to foster localism, it must fully understand how the local television market works so it can better predict the real effects of proposed changes to its rules. Ultimately, attribution of JSAs and/or required unwinding would undermine the public interest in a robust, free television service. It would do serious harm to viewers, employees, and broadcasters.

We explained that attributing television JSAs so that they are treated like radio JSAs would be arbitrary, since the FCC's local radio ownership had been substantially relaxed before radio JSAs were made attributable. In spite of a massive growth in competition in the

[2] *See* Reuters, "Rivals DirecTV and Dish team up to sell customized political ads", by Liana B. Baker, Jan 27, 2014 (available at http://reut.rs/1j8PnUy) (stating that DISH and DirecTV "have joined forces to sell customized ads in a bid to gain a slice of $3.4 billion political ad market dominated by local broadcasters". They "would consider partnering with cable companies" too, and a DISH spokesperson said, "We do compete a lot but we felt we could put a structure in place that had very significant upside in terms of the financial return to both companies".

last two decades, local television ownership remains strictly limited, little changed from the limits in place decades ago. New restrictions on television broadcasters should not be imposed in isolation; the full scope of the complex local television distribution market (including the impact of unregulated MVPD joint sales arrangements, the amount of revenue actually available to support local broadcasting, and the cost of operating a viable, competitive local broadcast station) must be considered.

In response to questions, we also discussed LIN's commitment to and investment in local programming, including news and sports. We explained that new rules that further tilt the playing field against free over-the-air broadcasting will result in more high cost programming, especially including local sports, moving from broadcast television to pay-only platforms. Specifically, we explained the fallacy of MVPDs' assertions that JSAs lead to rising retransmission fees and that rising retransmission fees cause higher retail prices for MVPD services. The cost of programming is rising across the board: all programmers, including broadcast stations and the cable networks they compete with, are contending with rising programming rights fees. Program rights holders sell to the programmers that pay the highest price. MVPD subscribers and advertisers ultimately pay the cost of those higher program rights fees, whether the programs are carried by broadcast stations or "pay only" non-broadcast networks. However, when programs are carried on broadcast stations there are major advantages for consumers. First, advertisers pay much more of the cost, so even with higher retransmission fees, MVPD subscribers pay far less to view a program on broadcast television than they would to watch the same program on a non-broadcast channel. Second, broadcast programming is available free to air at no cost to consumers who do not subscribe to MVPD service. Programs that appear on non-broadcast channels are available only as part of bundled MVPD subscription services.

Should you have any questions about this correspondence, please contact the undersigned counsel.

Very truly yours,

John K. Hane

CC (*via email*): Adonis Hoffman
Jay Howell
Joshua Pila

Sharing Arrangements Support Competition, Diversity, and Localism

Jay Howell, Vice President, Television (LIN Media)
Joshua N. Pila, Senior Counsel (LIN Media)
John K. Hane, Partner (Pillsbury Winthrop Shaw Pittman)

February 14, 2014

Introduction

- As previously described in the record, LIN believes that sharing arrangements should not be attributable
- Concerned about near term proposal to attribute JSAs
- LIN's sharing arrangements designed to comply with rules while preserving diversity and providing efficiencies needed in hyper-competitive media market
- All of LIN's SSAs and JSAs were part of long-form applications
- LIN values transparency

Sharing Supports Localism and Local Markets

- LIN's examples in the record (and attached)
- "We think additional FCC limitations on the creation of duopolies would not be in the public interest, as duopolies likely allow for a higher quality local product that would not be possible without scale." - David Bank, RBC Capital Markets, February 4, 2014 *Broadcasting Industry Overview*
- Sharing arrangements affect real people
  - Employee benefits
  - Access to training and resources
  - Stronger stations = better individual sales commissions

Sharing Arrangements Increase Competition

- MVPD interconnects sell ads in dozens of networks for multiple competing distributors and have ability to geo-target

- Internet and new media growing very fast

- Sharing arrangements bring more talent, resources, and scale to broadcast

- "[W]e think [a change in attribution of sharing arrangements] would be unnecessary from a concentration of media ownership perspective, as new sources of competition, such as the Internet, effectively eliminate the threat of a monopolistic scenario in this context (which ownership rules were generally put in place to stop)." - David Bank, RBC Capital Markets, February 4, 2014 *Broadcasting Industry Overview*

Sharing Arrangements Strengthen Diversity

- By strengthening marginal players, sharing arrangements strengthen voices in a marketplace
- Generally used in smaller markets where far less revenue is available to cover fixed costs
- Perspective on scale is important - these are not multi-billion dollar transactions

Conclusion

- The paramount public interest is in robust free television service with high quality programming

- Employees, communities, and broadcasters have relied upon sharing arrangements

- Previous parties started 3 of 4 of LIN's JSA relationships -they were built into transaction economics and drove investment *after* FCC approval

- Record must be updated
  - JSAs should not be considered in a vacuum
  - TV rules and market in 2014 look nothing like radio in 2004
  - FCC should solicit input on costs and impacts of unwinding JSAs

Sharing Arrangements Benefit the Public

Providence, RI; #53 DMA

- Launched local community talk show: Dan Yorke's "State of Mind"
- Added live political debates
- Airs "Newsmakers" with two top investigative reporters

Savannah, GA; #92 DMA

- Broadcasts St. Patrick's Day & MLK Day Parades live
- Started "Famous Firsts" civil rights PSAs
- Airs Georgia Southern University and Savannah State University sports

Youngstown, OH; #113 DMA

- Airs different newscasts with different anchors at same time as LIN-owned WKBN
- Added live high school & Youngstown State University basketball games
- Launched local sports pre-game shows

Austin, TX; #40 DMA

- 30-sec. vignettes about local entertainment scene six times a day
- New morning newscast
- Unbuilt station before LIN involved

Topeka, KS; #134 DMA

- Became lead sponsor and promoter of First Annual Topeka Veterans Day Parade
- Increased donations to local non-profit groups to record levels
- Provided new weather and tornado tracking tools not previously available to KTKA

Dayton, OH; #64 DMA

- Increased localism with "CW Star" personality
- New CW-themed creative department with new facilities
- Added Bounce African-American multicast network

Albuquerque, NM; #47 DMA

- New hourly weather inserts
- Investments in HD and statewide distribution (e.g., additional translators for rural areas)
- Relaunching website with local community content

lin media

Values Transparency

- All SSAs/JSAs passed upon by FCC in long-form apps
- Ownership reports for all Grandfathered LMAs